

Message Text

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FM AMEMBASSY LIMA

TO SECSTATE WASHJC 2563

C O N F I D E N T I A L LIMA 9252

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, BDIS, PE

SUBJECT: GREENE AGREEMENT - CERRO PENSION PROBLEM

REFS: STATE 210475 AND 235926

1. PRELIMINARY INVESTIGATION HERE LEADS US TO BELIEVE PROBLEM IS SOMEWHAT MORE COMPLICATED THAN THAT SUGGESTED IN PARAGRAPH 4 OF STATE 210475. WE WISH TO EXPLORE THE SITUATION FURTHER BEFORE MAKING APPROACH TO GOP ON WHAT ESSENTIALLY WOULD HAVE TO BE COMPASSIONATE GROUNDS.

2. EMBASSY OFFICER DISCUSSED PENSION MATTER IN DETAIL WITH KNOWLEDGEABLE CENTROMIN EXPATRIATE EMPLOYEE WHO HAS WORKED MANY YEARS FOR CERRO DE PASCO. EMPLOYEE STATED IN CONFIDENCE THAT AS A RESULT OF CERRO BOARD ROOM DECISION TAKEN LAST NOVEMBER, WHEN CERRO STILL HAD HOPES OF OBTAINING MANAGEMENT CONTRACT FOR CENTROMIN, CERRO UNDERTOOK TO GUARANTEE SERVICE TIME AND PENSION RIGHTS OF ITS EXPATRIATE EMPLOYEES WHEN THEY RETIRED FROM CENTROMIN. THUS, IN THE CASE OF THREE EMPLOYEES WHO HAVE ALREADY RETIRED, HE BELIEVED THEY HAD ACTUALLY RECEIVED ALL THE DOLLAR AMOUNTS DUE THEM. THE SOLES AT PRESENT ON DEPOSIT TO THEIR ACCOUNT IN THE BANCO DE LA NACION WILL, UPON EVENTUAL CONVERSION, PASS INTO THE HANDS OF CERRO THROUGH THE INTERMEDIARY OF A CERRO SUBSIDIARY IN LIMA (INTERNATIONAL INDUSTRIAL SERVICES, INC.) WHICH WAS ESTABLISHED FOR THE PURPOSE OF HANDLING CERRO'S RESIDUAL ASSETS IN

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PERU (PRIMARILY BANK ACCOUNTS AND ACCOUNTS RECEIVABLE).

THE CENTROMIN EMPLOYEE STATED FURTHER THAT HE BELIEVED THE SAME PRACTICE WOULD BE FOLLOWED IN THE CASE OF EXPATRIATE EMPLOYEES WHO ARE ABOUT TO RETIRE.

3. NOTE: THE FOREGOING ACCOUNT DOES NOT SQUARE WITH LETTER TO AMBASSADOR FROM LOCAL CERRO AND INTERNATIONAL INDUSTRIAL SERVICES REPRESENTATIVE GARDENER OF AUGUST 12. THIS LETTER STATES IN PART THAT THE THREE EMPLOYEES ALREADY RETIRED "ARE SEEKING (DOLLAR) PAYMENT FROM CERRO CORPORATION, WHICH IS UNJUST." WE WILL CHECK WITH GARDENER WHEN HE RETURNS TO LIMA NEXT WEEK AFTER SEVERAL WEEKS' ABSENCE.)

4. EMBASSY OFFICER OBSERVED THAT IF IT IS IN FACT TRUE THAT THE THREE RETIRED EMPLOYEES HAVE THEIR DOLLARS AND THAT SOL DEPOSITS OSTENSIBLY DUE THEM WILL PASS TO CERRO ON CONVERSION, THEN BANCO DE LA NACION IS PROBABLY ALSO AWARE OF THIS SITUATION AND COULD CONSIDER AN APPROACH BY EMBASSY ON COMPASSIONATE GROUNDS AS DISINGENUOUS. CENTROMIN EMPLOYEE AGREED, BUT POINTED OUT THAT POTENTIAL PROBLEM AT LEAST EXISTS, SINCE PRESENT CERRO MANAGEMENT MIGHT WELL DECIDE TO REVERSE BOARD ROOM DECISION TAKEN LAST NOVEMBER.

5. FOREGOING TAKES PLACE AGAINST BACKGROUND OF CERTAIN OTHER CERRO CORPORATION ACTIONS WHICH AT BEST ARE SUBJECT TO MISINTERPRETATION BY GOP. ACCORDING TO CENTROMIN EMPLOYEE, CERRO SALES STILL OWES MINEROPERU \$4.85 MILLION IN FINAL LIQUIDATION OF CERRO DE PASCO TRANSACTIONS IN PROCESS AT TIME OF NATIONALIZATION ON JANUARY 1. ADDITIONAL AMOUNTS ARE OWED BY CERRO SALES TO MINEROPERU ON TRANSACTIONS INVOLVING SALES OF MINERALS NOT ASSOCIATED WITH CERRO DE PASCO. NEGOTIATIONS ON THIS MATTER BETWEEN RUBINA OF MINEROPERU AND CERRO IN NEW YORK SOME WEEKS AGO BROKE DOWN WITH NO INDICATION WHEN CERRO MAY DECIDE TO PAY AMOUNT DUE.

6. CENTROMIN EMPLOYEE ALSO STATED THAT AT THE TIME OF NATIONALIZATION CERRO SALES HAD LUCRATIVE CONTRACT WITH JAPANESE BUYERS FOR ZINC CONCENTRATE TO BE SUPPLIED
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"FROM PERUVIAN PORTS." CERRO SALES HAS SINCE SUPPLIED JAPAN WITH CONCENTRATE FROM AN ALTERNATE SOURCE. CENTROMIN, IN THE MEANTIME, HAS HAD TO HONOR CONTRACTS FOR PURCHASES OF ZINC CONCENTRATE FROM OTHER PERUVIAN MINES. SINCE IT CANNOT SELL THIS CONCENTRATE TO JAPAN THROUGH CERRO SALES AS IN THE PAST, IT HAS HAD TO SELL IT IN OTHER MARKETS AT CONSIDERABLE LOSS.

7. COMMENT: THIS IS NOT THE FIRST OCCASION ON WHICH CERRO HAS CHOSEN TO TELL THE EMBASSY AND USG LESS THAN THE FULL STORY. PENDING CLARIFICATION, WE DO NOT BELIEVE APPROACH TO GOP WOULD BE USEFUL AT THIS TIME. HOWEVER, IF WE FIND THAT EX-CERRO RETIREES ARE IN FACT LIKELY TO BE PENALIZED AS A RESULT OF BLOCKED SOL ACCOUNTS, WE WILL DISCUSS THE MATTER WITH BANCO DE LA NACION.
DEAN

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